

Memorandum of Understanding
Between the United States Department of Agriculture (USDA) Rural Development
and Chase Home Finance

This Memorandum of Understanding (MOU) is made and entered into as of June 6, 2005, by and between the USDA Rural Development and Chase Home Finance (Chase).

P R E A M B L E

WHEREAS, USDA Rural Development and Chase have entered into a Lender Agreement for the origination and servicing section 502 guaranteed loans; and

WHEREAS, in support of a Presidential initiative to expand access to new affordable housing, USDA and Chase desire to promote access to new homes financed through the section 502 guaranteed rural housing loan program; and

WHEREAS, Providing loan guarantees for single-close construction to permanent loans, made to program eligible applicants, will promote the advancement of these loans to qualified borrowers, and USDA Rural Development desire to promote access for low and moderate income rural Americans to new homes financed through the section 502 guaranteed rural housing loan program; and

WHEREAS, as a result of this MOU, USDA Rural Development may, based on terms and conditions outlined below, issue loan guarantees for construction to permanent loans during the term of construction and prior to the borrower occupying the home. This document may be cancelled at any time with 30-days notice to either party, at the sole discretion of USDA Rural Development or Chase. If such cancellation notification occurs, loans in process under the terms of this pilot at the time will continue to be eligible for consideration.

NOW, THEREFORE, Chase agrees to advance construction to permanent loan funds to qualified borrowers and USDA Rural Development agrees to guarantee those loans based on the Articles below and for a period of twenty-four months from the date of this MOU. The key feature of this pilot program is that USDA Rural Development will issue the Final Loan Note Guarantee following the closing of the interim loan, without waiting for the completion of the subject property. Other features will include, but are not limited to, the Articles listed below.

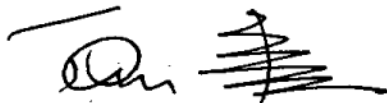
Max LTV and Loan Amount	LTV and loan amount not to exceed 100% of appraised value plus the applicable USDA Guarantee fee (currently 2%).
Credit Score	Minimum credit risk score of 660 of the primary wage earner. All co-applicants to have a minimum credit risk score of 620.
Underwriting	Chase has the responsibility for underwriting each loan originated through this pilot based on RD Instruction 1980-D. Rural Development will review all individual loan files for eligibility and will issue Conditional Commitments to those determined eligible.
Appraisals	<p>Per RD Instruction 1980-D.</p> <p style="text-align: center;">Fair Market Value</p> <p>As RD Instructions 1980-D Fair Market Value will be based on the appraised value of the to-be constructed subject property.</p> <p style="text-align: center;">Land Value</p> <p>Land value is based on the value as per the appraisal, with no seasoning requirement.</p> <p style="text-align: center;">Modification</p> <p>Final inspection of property must be obtained prior to loan modification.</p>
Environmental Review	Per RD Instruction 1980-D
Loan Approval Process	Loans may be originated by any Chase Rural Housing approved broker or lender in the pilot states. Chase will be responsible for each loan's underwriting prior to the file submission to USDA RHS.
Borrower Eligibility	Per RD Instruction 1980-D

Eligible Loan Purposes	<p>Per 1980-D Instructions. The purchase price of the lot may be included in the loan. Reasonable and customary construction costs may be included in the loan, such as: labor, material, well and septic systems, driveways, inspection fees, permits, a construction contingency reserve not to exceed ten percent, and other common costs related to construction administration may be included in the loan. Reasonable and customary related construction costs may be included in the loan such as the appraisal, the survey, architect and engineering fees, and reserves for interest, property taxes, and property insurance due during the construction phase.</p> <p>Reasonable and customary closing costs may be included in the loan, not to exceed six percent of the loan amount (plus the guarantee fee may also be included in the loan).</p>
Contractor/Builder	<p>Chase and its construction management vendor, Granite Loan Management will determine builder acceptance. A comprehensive license verification, insurance validation, credit examination, reference verification, and a criminal background check will be required.</p> <p>Owner-Builders are ineligible.</p>
File Documentation	Per RD Instruction 1980-D.
Geographic Restrictions	<p>Pilot states are: CA, FL, GA, NC, OH and TX.</p> <p>Additional states may be added, as agreed to by USDA Rural Development and Chase.</p>
Interest Rate, lock-in and pricing	<p>Interest for the loan will be fixed at a rate not to exceed the FNMA 90-day rate plus 1.20% on the day the loan is locked in with Chase. The permanent mortgage loan interest rate is established at lock-in, which must occur prior to closing. If the interest rate is not locked-in at the time the loan is approved, Chase must provide that at lock-in, the rate will not exceed a specific maximum yet will also permit the borrower to lock-in at a lower rate based on market fluctuations. The borrower must qualify for the mortgage at the maximum rate.</p>

Loan Repayment	Interest on Construction loan is payable monthly either directly from the borrower or indirectly drawn from an established interest reserve. Real Estate Taxes and Property Insurance premiums due during the construction period may also be paid using the same draw process.
Occupancy	Primary Residence only
Loan Note Guarantee	Issued after closing of the interim construction loan upon Chase's request and submission of the necessary documentation and guarantee fee.
Property Type	1 unit detached site built or modular construction only
Home Warranty	Per RD Instruction 1980-D
Construction Inspections	Per RD Instruction 1980-D
Plans and Specifications Certifications	Per RD Instruction 1980-D

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be duly and properly executed as of the date first above written.

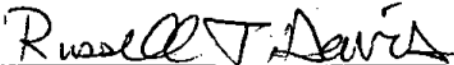
BY:



THOMAS M. GARVEY
VICE CHAIRMAN
CHASE HOME FINANCE

DATE: 6-6-05

BY:



RUSSELL T. DAVIS
ADMINISTRATOR
RURAL HOUSING SERVICE
USDA RURAL DEVELOPMENT

DATE: 6/6/05